



**AARP Solutions Statement  
White House Conference on Aging  
July 6, 2005**

AARP is pleased to provide recommendations to the White House Conference on Aging. We appreciate the opportunity to present our ideas about public policies and services to enable America's population to age with independence and dignity.

AARP believes that there has never been a more pressing need for public dialogue about how our nation will address the diverse needs of an aging population. The population aged 65+ is projected to grow by 38 percent in the next couple of decades. At the start of the 20<sup>th</sup> century, only 13 percent of the population was age 50 or older. Today--over a century later--those aged 50+ comprise over 27% of the population, and this trend is expected to continue for well into the future.

AARP believes that our nation's public policies should permit people to plan and live empowered lives. That belief drives AARP's thinking about how best to ensure economic and health security, as well as how to best provide a needed social services.

To ensure the economic security of an aging population, we must address Social Security, other retirement savings, employment, managing and protecting financial assets, and financial literacy. Health and long term care policy must include making health care, including prescription drugs, more affordable, expanding long term care settings to include more home and community based options, ensuring quality of care, and encouraging health promotion. And our array of social services policies should enhance the quality of life for all individuals as they age in "livable" communities that offer accessible and user-friendly options in housing, transportation, and supportive services.

What follows are some of the key recommendations from AARP's resolutions to the White House Conference on Aging.

*Social Security*

At the top of the economic security agenda is preservation of a strong Social Security program so that Americans of all ages can rely on a Social Security system that is solvent for the long term and maintains a secure benefit with

income protection features. Social Security is the principal source of income for two-thirds of older Americans, and virtually the only source of income for one-third. That fact is not expected to change when the Boomers retire.

Therefore, Social Security must continue to provide a solid base of life-time, inflation-protected security for workers and their families, should the worker become disabled, retire or die. To that end, we should adopt a reasonable solvency plan that balances reductions in the growth of future benefits with revenue increases. The plan should maintain the defined benefit nature of the program and the progressive benefit formula that protects lower-income workers.

It should improve benefits for low income workers, with special attention to groups who tend to be more reliant on Social Security, such as women and persons of color and how their work/life patterns impact their retirement security.

In short, Social Security faces a manageable deficit that does not require a radical restructuring of the program. However, the sooner changes are made, the more modest they can be and the longer those affected will have to adjust their plans. There are no free-lunch solutions; realistic options require all of us to share in keeping Social Security strong.

One option that AARP strongly opposes is diverting a portion of the current Social Security taxes into individual accounts. Rather than strengthening the program, transferring money from Social Security to private investment accounts puts Social Security at greater risk because less money will be available to pay promised benefits. And many workers will have to pay twice – first, to keep our commitments to current retirees, and again to fund the private accounts.

### Increasing Retirement Security

Social Security, while a solid foundation, is not enough for a secure retirement. AARP supports and encourages efforts to increase retirement savings outside of the Social Security system.

Employer-sponsored pension benefits are an important source of retirement income. Yet today only about half of the workforce is covered by a pension. And for those who are, there have been dramatic changes—changes that underscore Social Security's importance as the most reliable pillar of retirement security. Prior to the 1980s, most employer-sponsored pension plans were traditional defined benefit plans that guaranteed longer serving employees a monthly benefit based on their service. Increasingly, employers are shifting to defined contribution plans, where the individual bears the risk and responsibility for managing, investing, and preserving the investments.

Efforts to increase savings should be built upon and improve existing retirement savings. Any additional federal funds spent to do this should be targeted towards low and middle earners. Employers should be encouraged to offer more effective defined contribution plans with features that encourage higher

participation and contribution rates, such as automatic enrollment in 401 (k)s. And every working American should be able to, have a portion of her salary withheld automatically from each paycheck and forwarded to a retirement savings account.

### Older Workers

Another important aspect of economic security is continued earnings from work. Boomers say that they want or need to work in retirement and employers are likely to need them in light of slow labor force growth. Opportunities and incentives to foster longer worklives and more flexible work arrangement for those who wish or need to remain in the workforce must be expanded. No one should be denied a job, laid off or passed over for opportunities because of their age. Individual workers should be judged on the basis of their individual competency, ability and physical condition in relation to the requirements of the job.

### Managing and Protecting Financial Assets/ Financial Literacy

The financial marketplace is more complex than it was a generation ago, and change is rapid and continuous. Today's consumers face a demanding set of challenges in navigating the marketplace and obtaining financial security. The consumer decision-making process today is difficult because more consumers, including older consumers, are working and have less time for comparison shopping and decision-making. Products and services are increasingly complex. Therefore, consumers need information that is provided in an accurate and understandable manner and there should be transparency of fees and costs and clarity of disclosures. Consumer and investor protection laws should be strengthened and enforced and consumers should have adequate redress for violations.

Financial literacy is critically important to consumers in an increasingly complex financial marketplace. Unfortunately, research indicates that consumers often have disturbingly low levels of financial literacy. The financial literacy of all people should be improved with increased attention to the needs of Boomers and older persons and those who are foreign-born or have cultural, language or other barriers that make it more difficult to access information. Research aimed at improving the effectiveness of financial literacy programs and consumer counseling programs should be funded.

### Making Health Care Affordable

Many of the factors that contribute to the growth in the costs of Medicare and Medicaid –growth in utilization, growth in the costs of new technology and drugs, and inflation of medical prices – also drive up the cost of health care nationally, affecting all payers, both private and public. For consumers, health care affordability is measured by the burden of out-of-pocket costs (including costs of

care, insurance premiums, and cost sharing requirements) in proportion to income. These costs have been growing at an alarming rate, particularly for the many older Americans who have limited incomes or live at or near the poverty level.

Any policy initiatives addressing health insurance reform must include strengthening Medicare as an accessible source of coverage for all older Americans and maintaining Medicaid as a safety net for the most vulnerable. Medicare beneficiaries must be protected from unreasonable out-of-pocket costs, including premium costs and cost-sharing requirements. Subsidies for prescription drug coverage under Medicare should be made available for low-income beneficiaries, regardless of their assets.

In the absence of a comprehensive national health insurance program, private insurance and Medicaid will continue to play prominent roles in covering people under and over the age of 65. Medicaid should be preserved as an entitlement program for those who cannot afford to buy their own coverage or to pay out-of-pocket for health and long-term care. However, its federal-state financing structure needs changes, without capping expenditures or benefits, to allow federal funding that is more responsive to states' economic conditions, and to expand home and community-based options for delivering care. Public policies should address marketplace reforms that will expand the availability of affordable insurance coverage.

The challenge of slowing the growth in health costs must be multi-dimensional, but should start with efforts to make current spending more effective and more efficient.

Misuse, underuse and overuse of health care services compromise quality and lead to unnecessary costs that are borne by consumers and payers across the health care system.

Health and long-term care payment policy should be informed by quality measures that take into account clinical and patient-reported results. Substantial public funding is needed to for evidence-based pharmaceutical and health care research to evaluate comparative effectiveness of existing therapies within a class or category, as well as increased research on quality and safety of newly-approved treatments and products.

### Prescription Drugs

Prescription drugs and the continued development of pharmaceutical therapies play a crucial role in improving and maintaining the health of older persons, especially those with chronic illness. Prescription drug prices are already too high and are increasing unsustainably, burdening individuals and health care purchasers. Decisions about prescribing are too often made without regard to product cost or value.

The prescription drug marketplace must be made more transparent. Substantial public funding is needed to fund evidence-based pharmaceutical research to

evaluate comparative effectiveness of existing therapies within a class, as well as increased research on quality and safety of newly-approved products. Public purchasers and their intermediaries, such as health plans and pharmacy benefits managers, should use financing strategies that take research about comparative effectiveness into account.

Medicare, as a major purchaser of prescription drugs, should be authorized to negotiate with drug makers for favorable prices and other terms should group purchasing under the Medicare Modernization Act prove inadequate. Subsidies for prescription drug coverage under Medicare should be made available for low-income beneficiaries, regardless of their assets.

Consumers should be assured that prescription drug marketing provides balanced and accurate information and that providers are not offered inappropriate incentives in making decisions that affect prescribing. The federal government should not follow policies that unreasonably restrict the access of individuals and entities to safely buy prescription drugs safely in foreign markets

#### *Expanding Available Settings for Long Term Care*

Publicly-funded long-term care financing currently favors institutional care, especially nursing home care, while functionally limited consumers overwhelmingly prefer to live at home and receive care in chosen communities whenever possible. Public programs should adopt financing strategies that develop and promote expanded alternatives to nursing home placements. Decisions about eligibility for public programs should be made in a manner that permits consumers to choose appropriate settings when their needs arise.

Uncompensated care given by families and personal affiliates constitutes the backbone of the long term care service delivery system, with the vast majority of care provided by family and friends. This informal care is coming under greater pressure from changes in family structure and the economy. Caregivers need to be supported through respite care, tax credits and development of appropriate home-and-community-based options. Federal and state governments should provide financing and programs to support caregivers and relieve caregiving burdens.

#### *Assuring Quality Across Settings*

Misuse, underuse and overuse of health care services compromise quality and lead to unnecessary costs that are borne by consumers and payers across the health care system; The Institute of Medicine estimates that medical errors account for at least 44,000 deaths each year. Persistent geographic, ethnic and racial disparities in the quality of health care delivered undermine the confidence with which many citizens view the system. Health and long-term care payment policy should be informed by quality measures that take into account clinical and patient-reported results. Substantial public funding is needed for evidence-based

pharmaceutical and health care research to evaluate comparative effectiveness of existing therapies within a class or category, as well as increased research on quality and safety of newly-approved treatments and products. Improvements in performance – quality, safety and outcomes -- should be a serious public policy goal. Federal and state officials should have the authority, capacity and incentives to hold poor-performing providers accountable. Consumers should have access to effective and timely care for costs and injuries caused by negligent providers.

### Health Promotion

The benefits of health promotion (e.g., physical activity, smoking cessation, diet and nutrition, physical and mental health screening) could help Americans 50+ live healthier, longer lives, delay the onset of disability, and avoid unnecessary health care costs. This is a shared responsibility of the public sector, employers, and individuals. Publicly-sponsored health promotion programs should study and take into account the methods and types of health promotions and interventions that will maximize and sustain healthy opportunities and outcomes of people 50+.

### Aging Research

Two important areas of research have already been mentioned: evidence-based pharmaceutical research to evaluate comparative effectiveness of existing therapies within a class, and study of methods and types of health promotion programs and interventions.

Another important area for research pertains to health disparities. Aging has disparate impacts on subpopulations of Americans, with some groups enjoying better health status and better health insurance coverage while others suffer from poor health and strained economic ability to access needed services. Aging research should incorporate and adequately fund inquiries about disparities in health access and outcomes.

### Using Technology to Improve Care and Quality of Life

As in other areas of American life, technological innovation and advancement has the potential to play a significant part in shaping the future of aging. Investments in technology for an aging society should be directed toward systems and products that are affordable and accessible to all individuals and that directly lead to improved health and functioning of older and disabled people and optimize their life choices. Health and information technology should be developed and dispersed across the health care system with the objective of improving patient safety and quality of care, while maximizing consumers' access to their personal medical information.

### Livable Communities

As people age, most want to live in their own homes and communities for as long as possible. A livable community actively promotes the inclusion of residents in its social and economic life through the physical features, programs and readily accessible services that enable older residents and people with disabilities to remain independent and actively engaged in community life. This requires diverse and affordable housing options for households of different income levels, increased use of universal design features, improving mobility options including transportation services and walkability, and stronger planning to guide development decisions.

### *Reauthorization of The Older Americans Act*

Reauthorization of the Older Americans Act (OAA) will be critical to our nation's safety net. OAA has historically enjoyed broad bipartisan support and care must be taken to avoid a repeat of the lengthy period of reauthorization caused by controversial amendments from 1995 to 2000. The likelihood of a less contentious OAA reauthorization can be greatly improved through a number of recommendations including: avoiding expansion of mandatory or voluntary "cost-sharing" provisions for services, strengthening provisions to increase access to Legal Assistance to the Elderly, retaining emphasis on services to frail and low-income and minority elders, establishing adequate authorization and appropriations levels, maintaining the viability of Title V - SCSEP as an economic security resource for low income older workers and a program that strengthens community service, strengthening the role of OAA programs in providing home and community-based care, ensuring continued viability of the National Family Caregiver Support Program, and ensuring viability of elder abuse and domestic violence prevention, intervention and related elder justice activities and outreach demonstrations.

The White House Conference on Aging provides an important and timely opportunity for AARP and other interested parties to participate in a process that will advise national leaders and policymakers on the key issues facing older Americans. AARP is looking ahead with anticipation to the 2005 White House Conference on Aging and all the important and good work that we can do together to improve the quality of life for Americans as we age. Thank you.